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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000518

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [CH](#) [TW](#)

SUBJECT: STRAITS EXCHANGE FOUNDATION CHAIRMAN P.K. CHIANG  
ON THE APRIL 25-26 CROSS-STRAIT TALKS IN NANJING

REF: TAIPEI 500

Classified By: AIT Director Stephen M. Young,  
Reasons: 1.4 (b/d)

¶1. (C) Summary: Straits Exchange Foundation (SEF) Chairman P.K. Chiang told the Director on April 30 that President Ma Ying-jeou had hoped to put the proposed Economic Cooperation Framework Agreement (ECFA) on the agenda for the next round of cross-strait talks later this year. However, during the April 25-26 cross-strait talks in Nanjing, the Chinese had not agreed, arguing that putting ECFA on the agenda now would generate conflicts within Taiwan. The Chinese also did not accept Taiwan's proposal to increase the number of cross-strait flights to Shanghai from 20 to 50 per week, agreeing only to 28 flights because of an allegedly over-crowded flight route. Chiang said that in his private discussions with Taiwan Affairs Office (TAO) Director Wang Yi in Nanjing, he raised the concerns of mainland-based Taiwan businesspeople and also urged Beijing to take a more flexible approach toward international participation by Taiwan that did not involve sovereignty issues. Wang Yi expressed interest in his ideas about international participation, Chiang reported. Chiang also suggested an ECFA should lead to bilateral FTA-style agreements with Singapore, Japan and the U.S., but Wang offered no response to this proposal. End Summary.

¶2. (C) The Director met with Straits Exchange Foundation (SEF) Chairman P. K. Chiang on April 30 to discuss the recent cross-strait talks in Nanjing between SEF and the PRC's Association for Relations Across the Taiwan Strait (ARATS) (reftel). Following the SEF-ARATS talks on April 25-26, Chiang noted, he and his delegation had visited various Taiwan enterprises in Nanjing, Yangzhou, Suzhou, Kunshan, and Shanghai. Chiang, who returned to Taipei the afternoon of April 29, said he had briefed Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan upon arrival and would be briefing Legislative Yuan (LY) Speaker Wang Jin-pyng the next day. Although he had met with President Ma Ying-jeou before his trip, he had not yet had an opportunity to brief Ma of the results, Chiang added.

Concerns of Taiwan Businesspeople in the Mainland  
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¶3. (C) Chiang noted this had been his second opportunity to meet with Taiwan Affairs Office Director Wang Yi. In a

private meeting with Wang and ARATS Chairman Chen Yunlin, Chiang said he had raised several issues on behalf of the Taiwan business community in the PRC. These issues included complaints over the PRC's gradual phasing out of the special tax benefits previously enjoyed by Taiwan businesspeople. In addition, borrowing money had become very difficult in some areas for Taiwan businesspeople because of the financial crisis. Also, Taiwan entrepreneurs have encountered problems in partnerships with local businesses in service sectors that are not yet open to Taiwan investors. Referring to the problems encountered by Taiwan investors, Chiang noted, businesspeople are now quipping that Beijing has a one-China political policy but a two-China policy in the economic arena.

14. (C) Chiang believed that while the Chinese did not respond on specifics, the problems could gradually be addressed through the proposed Economic Cooperation Framework Agreement (ECFA) and other mechanisms. According to Chiang, as a senior KMT official, he had helped Taiwan entrepreneurs solve their business problems in the past, but he lamented that the KMT was no longer effective in performing this function. SEF does provide some assistance, he added.

ECFA  
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15. (C) President Ma had hoped ECFA could be included on the agenda for the fourth round of SEF-ARATS talks later this year, Chiang noted. However, the Chinese had not agreed to this proposal, but suggested ECFA could be added to the

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agenda later on an ad hoc basis. Chiang said Chen Yunlin expressed concern that placing ECFA on the agenda now for the next SEF-ARATS talks would generate conflicts within Taiwan. Chiang told the Chinese that Taiwan is concerned there will not be enough time to work on ECFA, and that Taiwan would like to move quickly because of the ASEAN-China FTA that will come into effect next year. With ECFA in hand, Taiwan hopes to negotiate FTAs with ASEAN countries such as Singapore and is also interested in similar agreements with others such as Japan and the U.S. Wang Yi did not respond directly on these points but simply quoted public remarks by PRC President Hu Jintao, which Chiang interpreted as leaving this subject open to future discussion in coming exchanges.

International Space  
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16. (C) Chiang said he expressed hope to Wang that China would take a more flexible approach on the issue of Taiwan's international space. Recently, Taiwan representatives were unable to attend a UNESCO event on the establishment of a digital library in which Taiwan participates. Chiang told Wang there is a problem with the inconsistent attitude of PRC diplomats (Comment: Read MFA) toward Taiwan: while some tolerate Taiwan's participation in events, others oppose anything Taiwan does. Reports in the Taiwan press about PRC diplomats blocking Taiwan will damage the SEF-ARATS talks, Chiang pointed out to Wang. Chiang urged Beijing not to automatically reject all international participation by Taiwan. Rather, he suggested, the PRC should develop guidelines, dividing the issue of Taiwan's international participation into different levels and categories. Levels would include private individuals, NGOs, semi-governmental organizations, and government organizations dealing in areas that did not touch on sovereignty. Categories would include culture, sports, and so forth. Wang expressed interest in further considering Chiang's suggestion.

Flights  
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17. (C) Most of his discussion with Chen Yunlin had focused on the SEF-ARATS agenda, Chiang said. The number of flights

- 270 - is too few, he observed. Taiwan had asked for 50 flights to Shanghai, but the Chinese would only agree to increase the number from 20 to 28. The Chinese claimed the current flight route to Shanghai used by Taiwan is too crowded, so there would need to be a new flight route to increase the flights further.

#### Financial Cooperation and Banks

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¶18. (C) Chiang believed that it should be possible to complete negotiation on the three MOUs under the financial cooperation agreement within the prescribed 60 days, since work in this area is already well underway. Chiang expressed some concern about the size discrepancy between PRC and Taiwan banks. He also noted the problem that Taiwan's regulations would allow PRC banks to begin exchange operations immediately, whereas, according to PRC regulations, Taiwan banks would have to be in place in the mainland for two years before they could conduct RMB exchange.

#### Working with the Legislative Yuan

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¶19. (C) Chiang told the Director he expected implementation of the cross-Straits legal assistance agreement to be a gradual process. After a mechanism has been set up for contacts between the two sides, then information exchanges and requests will begin. Chiang said he would be briefing the LY next week on the cross-Straits talks and agreements. The government policy has been to notify cross-Straits agreements to the LY, but the LY plans to review the agreements. The two sides are supposed to implement the agreements within 60 days. Chiang was unsure whether the agreements would come into effect automatically if the LY did

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not act within 60 days, but he thought that would be the approach of MAC.

¶10. (C) Chiang recalled that when he was a senior economic official prior to 2000, he and other ministers had regularly briefed the different caucuses, including the DPP, and the LY committees on important issues such as the WTO negotiations.

As a consequence, all legislators supported the administration's policies in these areas. Now, however, the government is not providing the same level of information to the legislators.

#### Next Round of Cross-Straits Talks

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¶11. (C) The next round of SEF-ARATS talks will be in Taiwan, but the location and dates have not been decided, Chiang said. The site will not necessarily be in Taipei, and security will be a consideration, given the confrontational protests against Chen Yunlin's visit last year. The talks should either be held after the December 5 local elections or well in advance of the elections, possibly in the early fall, Chiang suggested.

#### U.S. Support for Improved Cross-Straits Relations

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¶12. (C) The Director stressed U.S. support for the direction and accomplishments of the Ma administration's cross-Straits policies. We welcomed the progress on economic issues and also in the international arena, where Taiwan has just been invited by the WHO to be an observer at the May 18 WHA meeting in Geneva. Chiang expressed appreciation for U.S. support, including on the WHA observership issue. In response to the Director's question, he said it is still too early for Taiwan and the PRC to discuss security issues, so neither side touched on this in Nanjing.

Comment

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¶13. (C) Despite some differences between the two sides in the Nanjing talks, the overall impression from Chiang was that the SEF-ARATS talks and the rest of his visit had gone relatively well. Though there have been rumors Chiang might be replaced as SEF chairman, he talked of the future as if he will continue to be busy at his responsibilities.

YOUNG